MAYER | BROWN

NOVEMBER 11, 2026

SEC DIVISION OF EXAMINATIONS ANNOUNCES FISCAL YEAR 2027 EXAM PRIORITIES

The Division's Fiscal Year 2027 Examination Priorities retain the fundamental focus areas from prior years – including investment advisers' fiduciary obligations and compliance program effectiveness, Regulation Best Interest, broker-dealer financial responsibility rules and cybersecurity – but the frontier has shifted. "Super intelligence," complex and illiquid products, Treasury clearing, and payments to finders and personal services entities are now squarely on examiners' radars.

On October 23, 2026, the Division of Examinations (the "Division" or "EXAMS") of the U.S. Securities and Exchange Commission ("SEC") announced its examination priorities for fiscal year 2027, which began October 1, 2026 (the "2027 Priorities").[1] The 2027 Priorities continue and refine the Division's approach from the prior year,[2] while adding several new focus areas. Key themes include:

- *Accessibility and Integration* – The Division's leadership emphasizes making examination staff more accessible to registrants, both in communicating examination observations and in engaging with staff during examinations. The Division highlights the newly published "The SEC Exam Handbook: A Practical Guide on Process and Engagement,"[3] which replaces and expands upon the prior examination brochure. The Division also highlights deeper integration with SEC policymaking divisions and with fellow regulators, including the Commodity Futures Trading Commission, specifically citing the recently enhanced Memorandum of Understanding between the two agencies.

- *Complex and Less Liquid Products* – The Division will prioritize SEC-registered investment advisers ("advisers"), SEC-registered investment companies ("RICs"), and broker-dealers that recommend or hold complex and less liquid products. Throughout the 2027 Priorities, there is significant focus on alternative investment products and products viewed by the Division as complex and higher risk.

- *"Super Intelligence"* – While the 2026 Priorities referred to "artificial intelligence," the 2027 Priorities refer throughout to "super intelligence" ("SI"),[4] focusing on both registrants' use of SI in core operations and threat actors' use of SI to automate and accelerate cyberattacks.

---

1 SEC Division of Examinations, Fiscal Year 2027 Examination Priorities, available here.

2 SEC Division of Examinations, Fiscal Year 2026 Examination Priorities (Nov. 17, 2025) (the "2026 Priorities"), available here.

3 Available here; *see also*, SEC Press Release: SEC's Division of Examinations Announces New Exam Handbook (Oct. 1, 2026), available here.

4 *See* Inaugurating the Era of Super Intelligence, Executive Order 14434 (Sept. 29, 2026), available here. This Executive Order requires executive departments and agencies of the federal government to use "super intelligence" in place of "artificial intelligence" in official correspondence, public communications, websites, reports, policy documents, and other non-statutory documents within the executive branch. While not technically subject to the Executive Order, the SEC has publicly signaled its change in preferred terminology to match the order.

- *Cybersecurity and Operational Resilience* – Cybersecurity remains a top priority across registrant types. Examiners will test governance, data loss prevention, access controls, account management, incident response and recovery (including from ransomware attacks), and third-party service providers and shared technologies, as well as firms' defenses against SI-enabled attacks, such as automated phishing and "deepfake" voice or video used for social engineering.

- *Regulation S-P* – Examinations will evaluate firms' incident response programs for unauthorized access to, or use of, customer information, including customer notification procedures and oversight of service providers.

- *Finders and Personal Services Entities* ("PSEs") – As a new topic this year, the Division will examine how broker-dealers supervise payments to unregistered persons who act as finders as well as transaction-based compensation paid to unregistered PSEs. The latter follows the November 17, 2025 no-action letter issued by the staff of the SEC's Division of Trading and Markets permitting a PSE owned by registered representatives to receive transaction-based compensation without registering as a broker-dealer, subject to certain conditions.[5]

Broker-dealers, advisers, RICs, clearing agencies and other market participants should review carefully the 2027 Priorities and assess their compliance programs and examination preparedness, including by raising awareness within their organizations and identifying opportunities to strengthen internal controls and compliance procedures.

RISK AREAS IMPACTING VARIOUS MARKET PARTICIPANTS

INFORMATION SECURITY AND OPERATIONAL RESILIENCE

CYBERSECURITY

EXAMS will continue to focus on information security and operational resilience, particularly practices that safeguard customer information. Examinations will review firms' policies and procedures regarding governance practices, data loss prevention, access controls, account management, and response to and recovery from cyber incidents such as ransomware attacks. The Division will also evaluate the risks of registrants' growing reliance on third-party service providers and shared technologies, and the effectiveness of related risk management.

EMERGING FINANCIAL TECHNOLOGY

EXAMS emphasizes that registrants are increasingly using SI in core business operations and systems – including investment analysis, customer management and code development – and that threat actors are using SI to make cyberattacks more effective and difficult to detect. EXAMS will focus on how firms evaluate and prepare for potential SI-related cyberattacks, such as SI-generated phishing messaging and deepfake voice and video used for social engineering. It will also prioritize review of policies and procedures for monitoring SI used in fraud detection and prevention, back-office operations, compliance with anti-money laundering ("AML") and Regulation Best Interest ("Reg BI") obligations, and trading functions.

---

[5] Financial Services Institute, SEC Staff No-Action Letter (Nov. 17, 2025), available here; *see also*, FINRA Regulatory Notice 26-12 (Compensation Arrangements) (Jun. 9, 2026), available here.

The Division continues to focus on automated investment tools, trading algorithms and platforms, and the risks associated with emerging technologies and alternative data sources, and will prioritize firms offering automated investment advisory services. Such reviews generally will assess whether: representations are fair and accurate; operations and controls are consistent with disclosures made to investors; and algorithms lead to advice or recommendations consistent with investors' investment profiles or stated strategies.

REGULATIONS S-P AND S-ID

EXAMS will focus on whether firms have complied with Regulation S-P by developing, implementing and maintaining reasonably designed policies and procedures that address administrative, technical and physical safeguards for the protection of customer information. Consistent with the 2024 amendments to Regulation S-P,[6] examinations will evaluate firms' incident response program policies and procedures for unauthorized access to or use of customer information, specifically customer notification procedures and oversight of service providers, as well as how firms address operational risk, including technology risks.

With respect to Regulation S-ID, the Division will continue to review firms' identification and detection of, and response to, red flags of identity theft, with a particular focus on customer account takeovers and fraudulent transfers. EXAMS will also assess whether firms are updating their Identity Theft Prevention Programs to address emerging risks, such as those related to SI and stolen credentials.

REGULATION SYSTEMS COMPLIANCE AND INTEGRITY (SCI)

Regulation SCI-related examinations will focus on emerging trends, such as SI, tokenization of securities, extended trading hours and quantum computing. The Division will also review SCI entities' use of cloud and other third-party vendors, notably how they manage the risks vendors pose and identify vendor systems that qualify as SCI systems or indirect SCI systems.

FOCUS AREAS BY REGISTRANT TYPE

BROKER-DEALERS

FINANCIAL RESPONSIBILITY RULES

EXAMS will continue to prioritize firms' compliance with the Net Capital Rule (SEC Rule 15c3-1) and the Customer Protection Rule (SEC Rule 15c3-3), and related internal processes, procedures, and controls. Examinations will address recent amendments to the Customer Protection Rule requiring certain large carrying broker-dealers to compute reserves daily rather than weekly, as well as rule amendments that permit margin required and on deposit with a covered clearing agency for U.S. Treasury securities to be included as a debit in the reserve formulas for accounts of customers and proprietary accounts of broker-dealers, subject to certain conditions. EXAMS will also evaluate credit, market, and liquidity risk management controls to analyze whether firms have sufficient liquidity to address stress events and remain in compliance with the Net Capital and Customer Protection Rules. Also, examinations will assess prime brokerage activities, including with respect to concentration, liquidity, and counterparty credit risks.

[6] *See supra*, note 6.

TRADING-RELATED PRACTICES AND SERVICES

The Division will continue to prioritize equity and fixed income trading practices, including with respect to:

- Issues with extended trading hours, such as operational challenges, the availability of liquidity providers and whether they are willing, ready, and able to provide liquidity on and off exchange, and related market and credit risk management policies and procedures;
- Municipal securities, specifically regarding priority of orders; and
- Order routing and execution practices, notably best execution obligations, and pricing and valuation of illiquid instruments (*e.g.*, private credit and private equity).

RETAIL SALES PRACTICES

In connection with retail sales practices of broker-dealers, EXAMS will review compliance with Reg BI, focusing on:

- Product and investment strategy-related recommendations (*e.g.*, account and rollover recommendations);
- Conflict identification and mitigation practices;
- Processes for reviewing reasonably available alternatives;
- Information provided to customers to fulfill Reg BI's Disclosure Obligation; and
- Processes for satisfying Reg BI's Care Obligation, such as consideration of costs, pertinent factors in a customer's investment profile, and product and account type characteristics.

Examiners will pay particular attention to recommendations of complex or high-risk products, such as:

- Variable and registered index-linked annuities;
- Exchange-traded funds ("ETFs") or other products that invest in illiquid assets (*e.g.*, private equity or private credit);
- Low-priced securities or securities of small capitalization issuers;
- Zero-days-to-expiration options;
- Single-stock or focused markets ETFs;
- Private placements;
- Structured products;
- Alternative investments; and
- Other products in which fee structures or return calculations are complex, applicable benchmarks are exotic, or liquidity is limited.

Moreover, the Division may review specific types of recommendations, including those that:

- Move investments to substantially similar products;
- Relate to the opening of different account types; or
- Are directed to older and vulnerable investors and those saving for retirement or college.

EXAMS will also review broker-dealers' Form CRS disclosures, specifically focusing on the relationships and services broker-dealers offer retail investors, fees and costs, and conflicts of interest.

For dual registrants (broker-dealer/investment adviser), EXAMS will focus on how firms handle conflicts tied to compensation or other financial incentives, account selection practices, and allocation practices.

The Division will also examine how broker-dealers supervise payments to unregistered persons who may act as finders as well as transaction-based compensation paid to unregistered PSEs.

AML

Examinations will target whether broker-dealers appropriately tailor and update their AML programs based on their business models and AML risks, specifically risks in connection with: omnibus accounts – particularly omnibus accounts for foreign financial institutions and those tied to significant business growth. EXAMS will also focus on whether firms are: conducting adequate independent testing; accounting for risks of trading in foreign-based companies; conducting ongoing customer due diligence; and meeting Suspicious Activity Report filing obligations. The Division will also review whether broker-dealers monitor and comply with sanctions administered by the U.S. Department of the Treasury's Office of Foreign Assets Control.

SUPERVISION

EXAMS will evaluate whether broker-dealers maintain supervisory systems, written policies and procedures, and internal controls that are reasonably designed to achieve compliance with applicable securities laws and regulations, including for new business activities and investment products. The Division will also assess whether appropriate and qualified individuals have the authority required to carry out supervisory responsibilities.

INVESTMENT ADVISERS

FIDUCIARY OBLIGATIONS GENERALLY

The Division will continue to focus on whether advisers adhere to their fiduciary duties, particularly with respect to retail and older investors, including whether advisers:

- Provided full and fair disclosures of all material facts relating to their advisory relationships;
- Conducted reasonable due diligence into products or services recommended to clients;

- Adopted and evaluated the effectiveness of compliance policies and procedures;[7] and
- Assessed the reasonableness of their valuation processes and methodologies.

FIDUCIARY OBLIGATIONS RELATED TO ECONOMIC CONFLICTS

Not surprisingly, given the related risk alert published over the summer, the Division will prioritize reviewing advisers' fiduciary obligations relating to economic conflicts of interest, including fee rebate arrangements, fee and expense calculations, cash management, quid pro quo arrangements, deposits, and withdrawals.[8]

FIDUCIARY OBLIGATIONS RELATED TO INVESTMENT ADVICE

The Division plans to assess the factors that advisers consider in providing investment advice[9] and whether recommended investment products or strategies are consistent with client profiles, investment objectives, risk tolerance, and other mandates. Consistent with the Division's general emphasis on alternative investments and complex products and strategies, examinations will pay particular attention to any unique features that may impact the suitability or performance of an adviser's investment recommendations. The Division will focus on products that are difficult to trade, have unusual features, or are illiquid (*e.g.*, alternative investment products (such as loans provided by private funds or business development companies ("BDCs")), investments in private companies through special purpose vehicles, and complex and higher-risk investments (*e.g.*, ETFs based on less liquid assets, option-based funds, inverse ETFs, single-stock ETFs, and zero-days-to-expiration options).

ADVISERS TO PRIVATE FUNDS

Examinations of advisers to private funds will assess investment-related risk disclosures for consistency with fiduciary standards, and whether the adviser's compliance policies, procedures, and controls are designed to address both fund-level and investment-level risks. Examples include disclosures related to certain investments and allocations, use of debt and fund-level lines of credit, use of affiliated service providers, and the accuracy of fee and expense calculations at both the fund and investment levels.

USE OF THIRD-PARTY SERVICE PROVIDERS (INCLUDING PROXY ADVISORY FIRMS)

The Division will also focus on advisers that use third-party service providers that have access to client accounts. Also, the Division will examine advisers that rely on proxy advisory firms, consistent with the SEC's general approach to proxy advisory firms, in order to assess how the advisers evaluate the proxy

---

[7] *See* Examinations Observations Regarding Investment Adviser Annual Compliance Reviews, Division Risk Alert (Sept. 14, 2026), available here. *See also* SEC Exam Staff Issues Risk Alert on Investment Adviser Annual Compliance Reviews, Mayer Brown Client Alert (Sept. 22, 2026), available here.

[8] *See* Examinations Observations of Investment Adviser Obligations Related to Economic Conflicts of Interest, Division Risk Alert (June 9, 2026), available here.

[9] Examples of the factors to be assessed include liquidity, risk profile and potential rewards, volatility, projected performance across diverse market and economic conditions, time horizons, and costs (including exit costs).

advisory firm's recommendations, examine their bases, identify potential conflicts of interest, and determine whether that reliance satisfies applicable legal obligations.[10]

INVESTMENT COMPANIES

The Division will continue to prioritize examinations of RICs (including mutual funds and ETFs), including their compliance programs, disclosures, governance practices and filings, with a particular focus on:

- Fund fees and expenses (including any waiver or reimbursement arrangements); and
- Portfolio management practices (and in this regard, whether disclosures align with stated investment strategies, fund filings, and marketing materials).

As mentioned above, the Division plans to continue to monitor RICs holding complex products, less liquid or illiquid investments (including private credit), and the associated issues regarding valuation,[11] redemptions, and related conflicts and risk disclosures.

The Division will also focus on RICs that:

- Use novel or complex investment strategies (including RICs that hold less liquid or illiquid investments, including private credit, and funds with "leverage vulnerabilities," such as BDCs and inverse and leveraged ETFs); and
- Rely on SEC exemptive orders (focusing on the fund's implementation of and compliance with such orders).

CLEARING AGENCIES

New in the 2027 Priorities, the Division will prioritize examinations for clearing agencies' compliance with new rules, including those associated with expanded Treasury clearing, clearing agency governance, recovery and orderly wind-down plans, and facilitation of straight-through processing by central matching service providers.

OTHER MARKET PARTICIPANTS

EXAMS' priorities for other market participants include:

- *Municipal Advisors* – Continuing to examine whether municipal advisors have met their fiduciary duty to municipal entity clients, including the recommendations they provide regarding the pricing or method of sale of municipal securities (*e.g.*, competitive vs. negotiated sale); compliance with

[10] *See also* SEC Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: Climate Action 100+ and the Election of Directors at the May 2021 Annual Meeting of ExxonMobil Corporation (Oct. 7, 2026), available here; SEC Investigative Report Addresses Possible Schedule 13D Reporting Obligations Incurred Through Participation in Investor Organizations, Mayer Brown Across the Board, available here; Protecting American Investors from Foreign-Owned and Politically-Motivated Proxy Advisors, Executive Order 14366 (Dec. 11, 2025), available here; and Institutional Shareholder Services Inc., SEC Litigation Release No. 26632 (Sept. 4, 2026), available here.

[11] *See* Statement on Fair Value Measurement and Disclosure Considerations for Private Assets (Sept. 28, 2026), available here. *See also* SEC Staff Statement on Fair Value Measurement and Disclosure Considerations for Private Assets, Mayer Brown Client Alert (Oct. 5, 2026), available here.

Municipal Securities Rulemaking Board Rule G-42, which establishes core standards of conduct and duties for non-solicitor municipal advisors, with a focus on disclosure of conflicts of interest and documenting municipal advisory relationships; and whether municipal advisors have made required SEC filings and complied with other requirements regarding professional qualifications, recordkeeping and supervision;

- *Transfer Agents* – Continuing to review the use of emerging technology to perform transfer agent functions, and longstanding risk areas such as processing of items and transfers, recordkeeping and record retention, safeguarding of funds and securities, and SEC filings, as well as compliance with Regulation S-P;

- *Security-Based Swap Dealers ("SBSDs")* – Continuing to target accurate reporting of security-based swap transactions to security-based swap data repositories, reviewing whether SBSDs have resolved issues identified in their annual Chief Compliance Officer reports, and prioritizing SBSDs that have never been examined; and

- *Security-Based Swap Execution Facilities ("SBSEFs")* – Continuing to examine registered SBSEFs, focusing on SBSEF rules and related internal policies and procedures governing trade monitoring, trade processing and participation, and assessing how SBSEFs develop risk analysis and oversight programs to identify and minimize sources of operational risk.



The Free Writings & Perspectives, or FW&Ps, blog provides news and views on securities regulation and capital formation. The blog provides up-to-the-minute information regarding securities law developments, particularly those related to capital formation. FW&Ps also offers commentary regarding developments affecting private placements, mezzanine or "late stage" private placements, PIPE transactions, IPOs and the IPO market, new financial products and any other securities-related topics that pique our and our readers' interest. Our blog is available at: www.freewritings.law.

CONTACTS

For more information about the topics raised in this Legal Update, please contact any of the following lawyers.

PARTNER
STEFFEN HEMMERICH
NEW YORK +1 (212) 506-2129
SHEMMERICH@MAYERBROWN.COM

PARTNER
ANNA PINEDO
NEW YORK +1 (212) 506-2275
APINEDO@MAYERBROWN.COM

PARTNER
ADAM KANTER
WASHINGTON DC +1 (202) 263-3164
AKANTER@MAYERBROWN.COM

COUNSEL
LESLIE CRUZ
WASHINGTON DC +1 (202) 263-3337
LCRUZ@MAYERBROWN.COM

ASSOCIATE
STEPHEN VOGT
WASHINGTON DC +1 (202) 263-3364
SVOGT@MAYERBROWN.COM

ASSOCIATE
NICOLE VERU
NEW YORK +1 (212) 506-2803
NVERU@MAYERBROWN.COM

Mayer Brown is a leading international law firm positioned to represent the world's major corporations, funds and financial institutions in their most important and complex transactions and disputes. Please visit www.mayerbrown.com for comprehensive contact information for all our offices. This Mayer Brown publication provides information and comments on legal issues and developments of interest to our clients and friends. The foregoing is not a comprehensive treatment of the subject matter covered and is not intended to provide legal advice. Readers should seek legal advice before taking any action with respect to the matters discussed herein. Mayer Brown is a global services provider comprising associated legal practices that are separate entities, including Mayer Brown LLP (Illinois, USA), Mayer Brown International LLP (England & Wales), Mayer Brown (a Hong Kong partnership) and Tauil & Chequer Advogados (a Brazilian law partnership) and non-legal service providers, which provide consultancy services (collectively, the "Mayer Brown Practices"). The Mayer Brown Practices are established in various jurisdictions and may be a legal person or a partnership. PK Wong & Nair LLC ("PKWN") is the constituent Singapore law practice of our licensed joint law venture in Singapore, Mayer Brown PK Wong & Nair Pte. Ltd. Details of the individual Mayer Brown Practices and PKWN can be found in the Legal Notices section of our website. "Mayer Brown" and the Mayer Brown logo are the trademarks of Mayer Brown.

© 2026 Mayer Brown. All rights reserved. Attorney Advertising. Prior results do not guarantee a similar outcome.